

**DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE AND SECURITIES REGULATION**

**In Re: Application of WellPoint Health
 Networks Inc. regarding Conversion
 and Acquisition of Control of Group
 Hospitalization and Medical Services,
 Inc.**

PRELIMINARY ORDER

On January 11, 2002, WellPoint Health Networks Inc. (the “Applicant”) filed an application (“Application”) with the District of Columbia Department of Insurance and Securities Regulation (“DISR”) seeking the approval of the Commissioner of Insurance (“Commissioner”) of Applicant’s proposed acquisition of control of Group Hospitalization and Medical Services, Inc. (“GHMSI”)¹ and, as a necessary prerequisite thereto, the proposed conversion of GHMSI from a nonprofit hospital and medical services corporation to a for profit stock life insurance company. This order makes certain preliminary determinations and proposes specific procedures for reviewing and acting upon the Application.

1. Jurisdiction and Opening of Administrative Record. The Commissioner finds that he has jurisdiction to review and act upon the Application under D. C. Official Code §§ 31-703 and 31-3515. The DISR has opened, and will maintain, a formal administrative record of all proceedings in connection with this matter.

2. Completeness of the Application. The statute governing review of an application for acquisition of control of a domestic hospital and medical services corporation provides for a public hearing to be held within 30 days of the date the application is filed. *See* D.C. Official Code § 31-703(g)(2). The Commissioner has preliminarily reviewed the Application and has determined that it would be inappropriate to conduct a public hearing (i.e., a formal,

administrative hearing) at this time, for several reasons. First, the Application is deficient in that it lacks sufficient detail to enable the Commissioner to conduct an orderly and well-informed public hearing, which is an essential element of this proceeding. The Department will communicate with the Applicant by letter concerning the specifics of such deficiency. Second, the actions proposed in the Application present substantial questions of significant public interest. It is particularly important in this case that the Application be fully responsive to the issues that have been raised or may be raised in the future before the public hearing is held, and the Applicant undoubtedly will benefit from well-informed public input before finalizing its Application. Third, the Application is closely related to similar applications currently pending in the states of Maryland and Delaware, and certain issues raised in those proceedings are relevant to and may need to be addressed in the Application. Fourth, the Application contemplates actions which will require independent approval by the Office of Corporation Counsel (D. C. Code §§31-3502(b) and 44-603). It is important to coordinate these actions of the DISR and the OCC to minimize duplicate proceedings. The public and the Applicant will both benefit from more careful consideration of, and more deliberate coordination with, these other proceedings, than would be possible if a public hearing was immediately conducted on the initial Application. Also, it is unclear from the Application submitted in this proceeding whether CareFirst, Inc. and GHMSI have formally joined in the Application as parties that are also seeking the approval requested.

3. Draft Amended and Restated Application. In light of the foregoing, the Commissioner, while not rejecting the Application at this time, directs the Applicant to prepare and file with the DISR, on or before July 16, 2002, a draft Amended and Restated Application.

¹ *Popularly known as CareFirst Blue Cross Blue Shield.*

The draft Amended and Restated Application shall, among other things, remedy the deficiencies to be identified.

4. Public Forums. To assure that all parties and interested persons have an adequate opportunity to provide their comments and participate at an early stage of the proceedings, the Commissioner will hold two public forums in the District of Columbia on the basic proposal contemplated by the Application. The dates, times, and locations for the public forums will be announced at a later date. The purpose of the public forums will be primarily to inform the public about the transactions that are proposed and to hear public comment. The Commissioner will preside at the public forums and will present a brief summary of the Application and the procedures that will be used in reviewing this matter. The Applicant will be afforded an opportunity to make an informational presentation, and the members of the public will then be offered an opportunity to submit oral or written comments on the substance of the acquisition of control and conversion proposed in the Application, as well as the proposed procedures for the review of this matter. The public forum will be transcribed and become a part of the record in this proceeding.

5. Proposed Case Management Order. The Application submitted in this proceeding implicates public hearing authority of the Commissioner under two distinct statutes. D.C. Official Code §§ 31-703 (Acquisition of Control) and 31-3515 (Conversion). The Commissioner has concluded that a public hearing will be held to address all issues presented to the Commissioner for discussion under both statutes. The Commissioner intends to issue a Case Management Order that will govern the proceedings relative to the review of a final Amended and Restated Application to be filed by the Applicant. A Proposed Case Management Order is attached as Appendix 1 to this Order, and it will be made available by the DISR for comment by the Applicant and any member of the public. Comments on the Proposed Case Management

Order must be filed with the DISR on or before May 15, 2002. It should be noted that while specific dates are prescribed in the Proposed Case Management Order for when certain events will occur, these dates and the overall time frame for the proceeding are tentative, subject to comment and are likely to be modified in the final Case Management Order. The Commissioner will intends issue a final Case Management Order on July 2, 2002.

SO ORDERED THIS 5th DAY OF APRIL, 2002.

Lawrence H. Mirel
Commissioner of Insurance